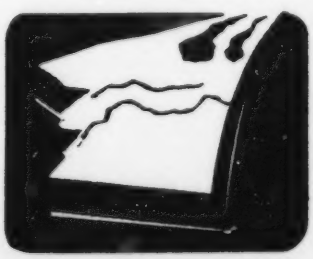
Manitoba

Annual Report 1985 - 86

Communities Economic Development Fund

LEGISLATIVE LIBRARY
APR 3 1987
MANITOBA

87-03627/



The symbol of the Communities Economic Development Fund, a view of Manitoba from the north, depicts the Provincial nature of this Crown Corporation and portrays the emphasis the Fund has on small business development in the remote and isolated areas of Manitoba.

Manitoba

Annual Report 1985 - 86

Communities Economic Development Fund

Table of Contents

TITLE	PAGE
Letter of Transmittal	5
Directors and Officers	6
General Manager's Review	7
Auditor's Report	9
Balance Sheet	10
Notes to Financial Statements	13
Schedule of Assistance Granted	15

communities economic development fund

Winnipeg Office:
1800-155 Carlton St.
Winnipeg, Man. R3C 3H8
(204) 949-1844

Thompson Office:
P.O. Box 640
135A 74 Cree Road
Thompson, Man. R8N 1N4
(204) 677-9432

Honourable Elijah Harper
Minister Responsible for
Communities Economic Development Fund,
Room 333, Legislative Building,
Winnipeg, Manitoba
R3C 0V8

Dear Mr. Harper:

In accordance with the provisions of the Communities Economic Development Fund Act, I enclose the Report for the fiscal year ended March 31st, 1986, and a Statement of the Communities Economic Development Fund's accounts for the year, signed and certified in the prescribed manner.

Respectfully submitted,

Hugh Jones,
General Manager.

Annual Report 1985-1986

Directors and Officers:

Board of Directors

Mrs. Bernice O'Connor Chairperson	Churchill
Mr. William Bennett	Matheson Island
Ms. Barbara Bruce	Winnipeg
Mr. Roy Chartrand (Resigned January 29, 1986)	St. Laurent
Mr. Nestor Dolinsky	Flin Flon
Mr. Eli Harper	Red Sucker Lake
Ms. Elizabeth Isbister	Norway House
Mr. Arkie Wiens	Winnipeg

Officers

Mr. Hugh Jones	General Manager
Mr. Alec Musgrove	Assistant General Manager and Treasurer
Mr. Greg Goodwin	Secretary

General Manager's Review

The year ended March 31, 1986 saw the Fund provide the highest dollar amount in terms of loans in the history of C.E.D.F. at $2.9 million, with the Board approving 43 loans and guarantees. This increased activity, I believe, indicates the continuation of the confidence which is being shown in entrepreneurial development in remote and isolated communities in Northern Manitoba, despite the ongoing sluggishness of certain of the resource sectors, particularly mining.

Since the Fund's inception, 559 loan applications have been approved for a total amount of just over $21,000,000, thereby creating and/or maintaining over 1,900 jobs.

Vital to what I believe is the success of the Fund over the past number of years, is the intense assistance provided by the Fund's Consultants to our clients, including assistance with loan applications, help in establishing the business itself where necessary, and as a financial advisor with respect to the ongoing problems which regrettably plague certain businesses. The stringent loan monitoring procedures and guidance in policy direction provided by the Board of Directors allow the Fund to effectively meet its objectives to provide financial and other types of assistance to economically disadvantaged individuals in remote and isolated communities.

The Fund's revenue increased over the year as did our general administrative costs, albeit marginally, and I feel I must stress yet again that the Fund's general administrative expenses apply not only to the approvals provided during the past fiscal year, but to the ongoing monitoring and administration of the loan portfolio in order to enhance the investments that the Fund has made by way of loans and/or guarantees in previous years. Critical to the Fund's operations is the administrative and consultative services provided to all the outstanding forms of assistance provided by C.E.D.F.

During the fiscal year the computer terminals and word processors were utilized extensively as the staff became more comfortable with the utilization of increased and enhanced technology which we view as critical to improving the efficiency of our operations.

The significant input by the Board of Directors in providing counsel, guidance and policy direction for the continued improvement and enhancement of the Fund's activity in meeting its objectives, were truly appreciated by myself and the staff of the Fund.

Of course, the staff of C.E.D.F. should be acknowledged in a significant way for their tireless contribution to the Fund's activity. Our ongoing success is to a large part attributable to the staff's continued dedication and commitment.

Hugh Jones,
General Manager.

Communities Assisted by the Fund in 1985-1986

- *Anola* — Forestry
- *Brochet* — Outfitting
- *Camperville* — Taxi
- *Churchill* — Hotel; Electrician
- *Cranberry Portage* — Carpentry
- *Dauphin* — Housing Construction
- *Eriksdale* — Manufacturing
- *Fisher Branch* — Housing Contract
- *Flin Flon* — Custom Iron Works
- *Gillam* — Housing Construction
- *Grand Rapids* — Heavy Equipment Contractor; Logging
- *Gypsumville* — Heavy Construction
- *Ilford* — Winter Road
- *Lac du Bonnet* — Restaurant
- *Manigotagan* — Forestry; Service Station
- *Minitonas* — Service Station
- *Moose Lake* — Forestry
- *Norway House* — Taxi; Laundromat; Cafeteria; Construction
- *Snow Lake* — Hauling
- *Teulon* — Restaurant
- *The Pas* — Fertilizer Distributor; Lumber Yard
- *Thompson* — Courier Service; Hotel
- *Wabowden* — Grocery Store; Winter Road
- *Waterhen* — General Store and Gas Pumps; Tourist Camp; Road Construction
- *Woodlands* — Welding Shop

Fiscal Year	Applications Approved	Amount	Jobs Created and/or retained
1972	19	$ 389,500	56
1973	82	1,349,750	125
1974	43	983,983	100
1975	16	731,910	73
1976	18	374,470	100
1977	38	704,658	108
1978	20	510,399	103
1979	20	556,459	92
1980	37	1,982,791	144
1981	34	1,180,740	120
1982	46	2,800,140	176
1983	31	2,138,275	138
1984	49	2,080,595	144
1985	63	2,326,548	172
1986	43	2,909,735	159
	559	**$21,019,953**	**1,911**

Manitoba

Communities Economic Development Fund

Report of the Provincial Auditor's Office

We have examined the financial statements, being Exhibits A and B and Schedules 1 and 2, of the Communities Economic Development Fund for the fiscal year ended March 31, 1986. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Communities Economic Development Fund as at March 31, 1986 and the results of its operations for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements applied, after giving effect to the change in accounting for common administrative expenses as disclosed in note 3 to the financial statements, on a basis consistent with that of the preceding year.

September 25, 1986,
Winnipeg, Manitoba.

F.H. Jackson, C.A.,
Provincial Auditor.

Exhibit A

Communities Economic Development Fund

Balance Sheet

As at March 31, 1986
(with 1985 figures for comparison)

ASSETS

	1986	1985
ASSETS		
Cash	$ 287,527	$ 171,775
Short-term deposits	200,000	70,000
Amount due from Manitoba Development Corporation (notes 1 and 2(c))	392,644	361,627
Accounts receivable	8,525	4,515
Loans and interest receivable, less allowance for doubtful accounts $1,030,409 (1985 — $1,386,100) (note 5)	3,813,802	3,772,515
Office furniture and equipment at cost, less accumulated depreciation $24,500 (1985 — $16,684)	61,265	55,399
	$ 4,763,763	$ 4,435,831
LIABILITIES		
Accounts payable	$ 48,540	$ 50,341
Funds held in trust	—	70,267
	48,540	120,608
Funds provided by the Province of Manitoba (note 4)	4,715,223	4,315,223
	$ 4,763,763	$ 4,435,831

SIGNED ON BEHALF OF THE BOARD

Barbara Bruce Director

Bernice O'Connor Director

Exhibit B

Communities Economic Development Fund

Statement of Revenue and Expenditure

For the year ended March 31, 1986
(with 1985 figures for comparison)

	1986	1985
Revenue:		
Interest, loans	$ 453,866	$ 423,080
Miscellaneous	6,586	5,753
	460,452	428,833
Expenditure:		
General administrative, Schedule 1	760,683	748,688
Recovery from Manitoba Development Corporation for proportionate share of common administrative expenses (note 3)	(80,000)	(90,000)
Provision for doubtful accounts on loans receivable (note 5)	391,470	495,700
	1,072,153	1,154,388
Excess of expenditure over revenue	611,701	725,555
Less: Subsidy from the Manitoba Development Corporation (note 1)	611,701	725,555
	$ —	$ —

Schedule 1

Communities Economic Development Fund

Schedule of General Administrative Expenses

For the year ended March 31, 1986
(with 1985 figures for comparison)

	1986	1985
Consultants' fees and expenses	$ 14,147	$ 15,753
Depreciation	7,816	6,721
Directors' fees and expenses	50,873	43,577
Legal and audit	25,265	23,801
Office supplies and expenses	78,395	84,429
Salaries and employee benefits	519,049	492,414
Sundry	18,871	23,372
Travel	46,267	58,621
General administrative expenses, Exhibit B	**$ 760,683**	**$ 748,688**

Schedule 2

Communities Economic Development Fund

Report of Assistance Granted or to be Granted

For the year ended March 31, 1986

	Interest Rate	Term	Amount
Beef 'N Reef Restaurant Ltd. — In Receivership	11 1/4%	6 months	$ 15,000
Bone, Linda	9 1/2%	3 years	20,200
Boulette Forest Operations Ltd.	11 1/4%	3 years	22,600
Buck, James P.	8 3/4%	3 years	47,895
Buck, Willard	10 1/2%	3 years	50,300
Cameron, Lorna Annie	8 3/4%	4 years	20,000
Campbell Development Corporation Ltd.	9 %	1 month	110,000
Chartrand, Gary and/or Chartrand, Phyllis	9 1/4%	10 years	81,400
Chartrand, Roy and/or Chartrand, Rita	11 1/4%	3 years	41,660
Cook, Simeon	11 1/4%	3 years	21,950
Draft Enterprises Ltd.	9 1/2%	6 months	150,000
Dwyer, Dennis and/or Dwyer, Patricia R.	11 1/4%	10 years	105,000
Ettawakapow, Walter K.	9 1/4%	3 years	15,550
Flett, Glen Albert	8 3/4%	30 months	66,000
Garand, Guy L.	10 %	3 years	61,575
Gold Trail Hotel Ltd.	8 3/4%	7 months	20,000
Gold Trail Hotel Ltd.	9 1/4%	3 years	30,000
Greg and Ernie Contractors Ltd.	10 1/2%	103 months	202,000
Herb Cook and Son Ltd.	9 1/4%	3 years	47,000
Interlake Non-Profit Housing Inc.	9 %	Demand	14,535
Kelsey Motors Ltd.	9 1/4%	3 years	25,000
Long Point Development Corporation	8 3/4%	3 months	25,000
Manigotagan Development Ltd.	10 %	1 month	10,000
Manitoba Metis Housing Development Inc. (bank guarantee)	2% fee	6 months	64,000
Manitoba Metis Housing Development Inc.	9 %	6 months	48,000
Monkman, Lesley	9 1/4%	3 years	18,500
N.D. Gunn Ltd. (bank guarantee)	2% fee	4 months	150,000
N.D. Gunn Ltd.	9 1/4%	4 months	102,000
Northern Metis Investments Inc.	11 1/4%	10 years	65,500
Northern Metis Investments Inc.	9 3/4%	10 years	157,500
Pasquia Valley Services Ltd.	8 3/4%	3 years	18,700
Poitras, James	9 %	5 years	54,600
Popowich, Clarence and/or Popowich, Della	11 1/2%	10 years	114,000
Pruden, James J.J.	9 1/4%	2 years	2,100
Rennie, David Samuel	8 3/4%	3 years	26,500
Sentenac, Francis	10 1/2%	3 years	74,050
Smith, Vernon and/or Smith, Patricia	9 1/4%	3 years	56,000
Swamper's Garage Ltd.	10 3/4%	10 years	14,000
The Pas Indian Band	10 %	10 years	100,000
W.F. Holt Enterprises Ltd.	9 1/4%	5 years	89,120
Wayne Graham Custom Iron Works Ltd.	9 1/4%	3 years	262,500
Yakelashek, Phillip Stanley and/or Yakelashek, Lois	8 3/4%	10 years	140,000
Yellow Thunder Holdings Ltd.	9 1/4%	3 years	150,000
			$2,909,735

Communities Economic Development Fund

Notes to the Financial Statements for the year ended March 31, 1986

1. **Nature of the Fund**

The Communities Economic Development Fund was established as a Crown Corporation to encourage the optimum economic development of remote and isolated communities within the Province of Manitoba. To carry out this objective it is not practical to pass on all of the Fund's costs to the users of its services. As a result the Fund depends, to a certain extent, on a subsidy from the Manitoba Development Corporation (MDC).

MDC provides the subsidy required by the Fund to the extent of the Fund's excess of expenditure over revenue.

2. **Significant Accounting Policies**

(a) General

The accompanying financial statements have been prepared on an accrual basis, except for the accounting for pension costs as set out in (d) below.

(b) Allowance for doubtful accounts

The allowance for doubtful accounts regarding possible losses on outstanding loans is determined on an individual account basis.

(c) General administrative expenses (Schedule 1)

The Communities Economic Development Fund is jointly administered with the Manitoba Development Corporation. Common administrative expenses are initially paid by the Fund, except for rent and utilities costs which are paid by MDC. At the year end, common administrative expenses are reviewed and allocated between MDC and the Fund on a proportionate basis as determined by officials of MDC and the Fund. The difference between the administrative expenses paid by the Fund and the prorated administrative expenses are reflected as either a recovery of administrative expenses or as a reimbursement to MDC for the Fund's share of common administrative expenses.

(d) Pensions

The employees of the Fund are not members of the Civil Service of the Province but they contribute to, and are pensionable under the Civil Service Superannuation Fund. In accordance with the provision of the Manitoba Civil Service Superannuation Act, the Fund will contribute 50% of the pension payments made to retired employees. Such payments will be charged to operations as incurred and provision is not made in the accounts to fund current or past service obligations to the Superannuation Fund. On the basis of an actuarial report, the unfunded liability for the Fund's employees amounted to $396,480 as at December 31, 1985 ($329,373 as at December 31, 1984).

(e) Depreciation

Office furniture and equipment is depreciated at 10% on a straight line basis.

3. **Change in Accounting Policy**

The accounting policy regarding common administrative expenses, note 2(c), is changed from the previous year. In the previous year, administrative expenses common to both the Fund and MDC were paid by the Fund, except for rent and utility costs which were paid by MDC. Common administrative expenses are now reviewed annually and allocated between the Fund and MDC on a proportionate basis as determined by officials of the Fund and MDC. The change in the accounting policy has been applied to the current and prior year's figures. The effect of the change is to decrease the Fund's excess of expenditure over revenue and to reduce the subsidy from the Manitoba Development Corporation by $80,000 in 1986 and $90,000 in 1985.

4. **Funds provided by the Province of Manitoba**

Funds are provided by the Province by way of conditional grants for a revolving fund for the purpose of making direct loans and for loan guarantees. In the event that the revolving fund increases beyond the amount provided by the Province, such increases would be repayable to the Province. If the Communities Economic Development Fund should cease operations, then all remaining funds would be returned to the Province.

Communities Economic Development Fund

Notes to the Financial Statements for the year ended March 31, 1986

4. **Funds provided by the Province of Manitoba (cont'd)**

The funds provided are as follows:

	1986			1985
	Direct Loans	Loan Guarantees	Total	Total
Balance, beginning of year	$4,215,223	$100,000	$4,315,223	$3,915,223
Funds provided during the year	400,000	—	400,000	400,000
Balance, end of year	**$4,615,223**	**$100,000**	**$4,715,223**	**$4,315,223**

The balance of available capital authority as at March 31, 1986 is $3,207,000 for direct loans and $1,400,000 for loan guarantees.

5. **Allowance for Doubtful Accounts**

The change in the allowance is accounted for as follows:

	1986	1985
Balance, beginning of year	$1,386,100	$1,044,400
Provision during the year	391,470	495,700
	1,777,570	1,540,100
Less: Accounts written off (net of recoveries)	747,161	154,000
Balance, end of year	$1,030,409	$1,386,100

6. **Loan Commitments and Contingent Liabilities**

	1986	1985
(a) Loan commitments — undisbursed balance of approved loans	$ 952,247	$ 685,248
(b) Contingent liability — bank loan guarantees	$ 364,000	$ 150,000
(c) Contingent liability — performance, material and labor bonds	$ —	$ 45,915

(d) Contingent liability — two statements of claim have been filed with the court, naming the Fund as defendant. The claims relate to certain real property which the Fund disposed of in 1981. The claims are for damages and costs of an unspecified amount. The Fund is of the opinion that the claims are without merit.

7. **Comparative Figures**

1985 comparative figures have been restated where necessary to conform with the 1986 financial statement presentation.

Communities Economic Development Fund

A source of financing for business in remote and isolated communities in Manitoba

What Kind of Assistance Does the Fund Provide?

Assistance from the Fund is usually in the form of a term loan to help establish or expand businesses. The Fund also assists community development corporations.

Local ownership and control of the business applying for assistance will be considered of prime importance. The Fund will assess the effect of its assistance on the community and on working conditions and wage levels as well as ensure that continuing training and upgrading of skills of the workers involved is made available.

Types Of Business?

All types of small businesses ranging from manufacturing to service industries are eligible for assistance.

Assistance is determined on the basis of each applicant's requirements.

Geographical Location

In consideration of applications for assistance to establish or expand small to medium-sized economic enterprises, the Fund will emphasize economic development of northern Manitoba.

Interest Rate

Current interest rates can be learned by enquiry to the Fund. The rate of interest at the time a loan is approved is fixed for the life of the loan.

What Security Is Required?

In determining the extent to which the loan or loans shall be secured, the Board shall take into consideration the nature and location of the fixed and other assets being financed.

What Conditions Must The Applicant Fulfill?

a) There must be assurance of repayment from the earnings of the business.

b) There must be evidence of the ability to operate the business successfully. Where, in the opinion of the Fund, an applicant requires management or other training, the Fund may insist that the applicant undertake a training programme before any loan commitment is made. To this end, the Fund may assist in applying for any available grants to cover these costs.

c) The applicant cannot obtain sufficient monies from other sources on reasonable terms.

d) The applicant provides available equity, in cash or otherwise, to the business to be financed.

How Are Loans Repaid?

The Fund will set the rate of repayment to suit the need of individual borrowers.

Does The Fund Provide Technical And Other Assistance For Loan Applicants?

Yes, in accordance with the specific requirements of each applicant and business.

How Does The Fund Relate To Other Programmes?

The Fund may provide assistance to businesses eligible for Provincial and Federal programme assistance.

The Fund also participates in the "packaging" of projects in co-operation with other agencies and programmes.

How To Apply?

Requests for information should be addressed to the General Manager, 1800 - 155 Carlton St., Winnipeg, Manitoba, R3C 3H8 or P.O. Box 640, 135A Evergreen Place, 74 Cree Road, Thompson, Manitoba, R8N 1N4.